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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/919,456	07/31/2001	George H. Butcher	7056.025	3566

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EXAMINER

LIVERSEDGE, JENNIFER L

ART UNIT	PAPER NUMBER
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3628

DATE MAILED: 02/13/2006

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary	Application No. 09/919,456	Applicant(s) BUTCHER, GEORGE H.	
	Examiner Jennifer Liversedge	Art Unit 3628	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 31 July 2001.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-10 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-10 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
 2. ☐ Certified copies of the priority documents have been received in Application No. _____.
 3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- | | |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413)
Paper No(s)/Mail Date. _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152) |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)
Paper No(s)/Mail Date _____ | 6) <input type="checkbox"/> Other: _____ |

DETAILED ACTION

Claim Rejections - 35 USC § 101

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1-3 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter. The use of the phrase "requiring the credit issue..." is non-statutory as there is not a useful end by merely requiring something to be performed.

Correction is required.

Claim Rejections - 35 USC § 112

The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

Claims 1-3 and 9-10 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

A Markush group must be definite and complete as to its membership. The Markush group in claims 1, 3, 9 and 10 are indefinite as to scope in the use of the term "including". Claims 1-3 and 9-10 are therefore rejected. Examiner suggests that the applicant replace the phrase "including" with the phrase "consisting of" to overcome this rejection.

Correction is required. See MPEP § 2173.05 (h).

Claim Rejections - 35 USC § 102

The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States.

Claims 1 and 2 are rejected under 35 U.S.C. 102(b) as being anticipated by “Poor Market Spurs New Approaches” by Kuntz, E.F. in Pensions & Investment Age in April 1984 (further referred to as P&I).

Regarding claim 1, P&I disclose a method of structuring a credit, comprising:

Requiring the credit issuer of a municipal bond to pay to the credit holder a fixed payment component (page 4, column 1, lines 16-33 and column 2, lines 2-29); and

Requiring the credit issuer of the municipal bond to pay the credit holder a variable payment component (page 4, column 2, lines 2-29) that varies based on changes in a value of an ownership value characteristic which is associated with the municipal bond and wherein the ownership characteristic is selected from the group consisting of: a) a general interest rate level; b) an exemption from a state tax; c) an exemption from a federal tax; d) a marginal state tax rate; e) a marginal federal tax rate; f) a credit rating of the credit issuer; g) a credit variation associated with a credit

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enhancer; h) a credit variation associated with a liquidity provider; and I) a supply/demand level for municipal bonds (page 4, column 1, lines 7-15 and lines 20-26).

Regarding claim 2, P&I disclose the method wherein the fixed payment component is a fixed interest payment component and the variable payment component is a variable interest payment component (page 4, column 1, lines 16-20 and column 2, lines 5-29).

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

The factual inquiries set forth in *Graham v. John Deere Co.*, 383 U.S. 1, 148 USPQ 459 (1966), that are applied for establishing a background for determining obviousness under 35 U.S.C. 103(a) are summarized as follows:

1. Determining the scope and contents of the prior art.
2. Ascertaining the differences between the prior art and the claims at issue.
3. Resolving the level of ordinary skill in the pertinent art.
4. Considering objective evidence present in the application indicating obviousness or nonobviousness.

Claim 3 is rejected under 35 U.S.C. 103(a) as being unpatentable over "Poor Market Spurs New Approaches" by Kuntz, E.F. in *Pensions & Investment Age* in April 1984 (further referred to as P&I). P&I does not disclose the method wherein the

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ownership value characteristic upon which the variation of the variable payment component is based is selected from the group consisting of a) an exemption from a state tax; b) an exemption from a federal tax; c) a marginal state tax rate; and d) a marginal federal tax rate. However, given that municipal bonds are generally free from federal taxes and state and local taxes, it would be obvious that if a bond contained a variable component and there were to be imposed a shift in tax policy such that taxes were then to be applied, this would be captured within the variable component of the municipal bond and not the fixed portion of the municipal bond. Variable rates are generally tied to various indexes and rates and a tax rate would be an applicable rate causing a change in the variable payment component. The variable rate as shown in P&I is related to interest rates given on the tax-exempt status of the municipal bonds. If this status were to change based on policy shift, the interest rate associated therewith would change by nature of economical and financial principals.

Claims 4-10 are rejected under 35 U.S.C. 103(a) as being unpatentable over "Poor Market Spurs New Approaches" by Kuntz, E.F. in Pensions & Investment Age in April 1984 (further referred to as P&I), and further in view of Pub. No. U.S. 2002/0184129 A1 Arena (further referred to as Arena).

Regarding claim 4, P&I disclose a method of issuing a credit to a credit holder by a credit issuer, wherein the credit has associated therewith at least two ownership value characteristics and each of the ownership value characteristics has associated

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therewith a loss/gain potential (page 4, column 1, line 1 – column 2, line 29 where ownership value characteristics are short-term and long-term general interest rate levels).

P&I does not disclose transferring to the credit holder at least one loss/gain potential; and retaining by the credit issuer at least one loss/gain potential. However, Arena discloses transferring to the credit holder at least one loss/gain potential; and retaining by the credit issuer at least one loss/gain potential (page 1, paragraph 0009-0012 and page 2, paragraphs 0013-0015). It would be obvious to one of ordinary skill in the art to combine the transferring and sharing of risk/gain potential as disclosed by Arena with the variable- and fixed-rate municipal bonds as disclosed by P&I. The motivation would be that the development of combining variable- and fixed-rates was to address the risks associated with holding long-term bonds and by offer both variable and fixed components, the risk is being shared between the credit issuer and the credit holder.

Regarding claim 5, P&I does not disclose the method wherein the loss/gain potential is transferred to the credit holder by requiring the credit issuer to pay to the credit holder a fixed payment component and the loss/gain potential is retained by the credit issuer by requiring the credit issuer to pay to the credit holder a variable payment component. However, Arena discloses the method wherein the loss/gain potential is transferred to the credit holder by requiring the credit issuer to pay to the credit holder a fixed payment component and the loss/gain potential is retained by the credit issuer by

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requiring the credit issuer to pay to the credit holder a variable payment component (page 1, paragraphs 0009-0012 and page 2, paragraphs 0013-0015). It would be obvious to one of ordinary skill in the art to combine the transferring and sharing of risk/gain potential as disclosed by Arena with the variable- and fixed-rate municipal bonds as disclosed by P&I. The motivation would be that the development of combining variable- and fixed-rates was to address the risks associated with holding long-term bonds and by offer both variable and fixed components, the risk is being shared between the credit issuer and the credit holder.

Regarding claim 6, P&I disclose the method wherein the credit is a bond (page 4, column 1, lines 7-15).

Regarding claim 7, P&I disclose the method wherein the bond is a municipal bond (page 4, column 1, lines 1-15 and lines 27-33).

Regarding claim 8, P&I disclose the method wherein the fixed payment component is a fixed interest payment component and the variable payment component is a variable interest payment component (page 4, column 1, lines 16-20 and column 2, lines 5-29).

Regarding claim 9, P&I disclose the method wherein the variation of the variable payment component is based upon a change in value of an ownership value

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characteristic selected from the group consisting of: a) a general interest rate level; b) an exemption from a state tax; c) an exemption from a federal tax; d) a marginal state tax rate; e) a marginal federal tax rate; f) a credit rating of the credit issuer; g) a credit variation associated with a credit enhancer; h) a credit variation associated with a liquidity provider; and I) a supply/demand level for municipal bonds (page 4, column 1, lines 7-15 and lines 20-26).

Regarding claim 10, P&I does not disclose the method wherein the ownership value characteristic upon which the variation of the variable payment component is based is selected from the group consisting of a) an exemption from a state tax; b) an exemption from a federal tax; c) a marginal state tax rate; and d) a marginal federal tax rate. However, given that municipal bonds are generally free from federal taxes and state and local taxes, it would be obvious that if a bond contained a variable component and there were to be imposed a shift in tax policy such that taxes were then to be applied, this would be captured within the variable component of the municipal bond and not the fixed portion of the municipal bond. Variable rates are generally tied to various indexes and rates and a tax rate would be an applicable rate causing a change in the variable payment component. The variable rate as shown in P&I is related to interest rates given on the tax-exempt status of the municipal bonds. If this status were to change based on policy shift, the interest rate associated therewith would change by nature of economical and financial principals.

Conclusion

The prior art made of record and not relied upon is considered pertinent to applicant's disclosure. U.S. Patent No. 5,966,700 to Gould et al. discloses a system by which risk is shared in mortgage pools. Certain risks are retained and/or allocated across parties through their "risk allocation agreement" in which specific characteristics are held by specific parties. In addition, U.S. Patent No. 6,052,673 to Leon et al. discloses investment management techniques such as for a mortgage in which fixed and variable interest rates are provided in order to share risk.

Any inquiry concerning this communication should be directed to Jennifer Liversedge whose telephone number is 571-272-3167. The examiner can normally be reached on Monday – Friday, 8:30 – 5 PM.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Sam Sough can be reached at 571-272-6799. The fax number for the organization where the application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).


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Jennifer Liversedge

Examiner

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